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C O N F I D E N T I A L SECTION 01 OF 03 BAKU 000769

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SUBJECT: AZERBAIJAN PRESIDENT TELLS COMMERCE DEPUTY  
SECRETARY HE WANTS MORE US COMPANIES

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Classified By: Ambassador Anne E. Derse, reasons 1.4 (b,d)

11. (C) SUMMARY. In a June 4 meeting with Commerce Deputy Secretary Sampson, President Aliyev reviewed Azerbaijan,s

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business climate and said the GOAJ would "have finished all the necessary implementation" for WTO accession by year's end. Aliyev lauded Azerbaijan's recent economic progress, to include a lowering of the poverty rate from 49 to 20 percent, and said Azerbaijan's new national strategy on combating corruption would contain specific deadlines and goals for the GOAJ to meet its existing international obligations. Although he believes "the more US companies in Azerbaijan, the better," Aliyev said that Bechtel's current "Trans-Azerbaijan National Expressway" proposal was unlikely due to already existing projects, although a modified proposal might be acceptable. However, upon hearing the details of the proposal, he agreed to review it in greater detail. He agreed with Deputy Secretary Sampson that the idea of a Business Entrepreneurial Council that met regularly with the President to give "unfiltered opinion" from the business community was a good one. Sampson raised the American Bureau of Shipping,s problems with CASPAR, and urged Azerbaijan to pass legislation implementing the Chemical Weapons Convention. END SUMMARY.

12. (U) On June 4 Deputy Secretary of Commerce Sampson and Ambassador Derse met President Aliyev. Sampson was accompanied by Commerce Deputy Assistant Secretary Paul Dyck, Chief of Staff Aimee Strudwick and Caucasus and Central Asian Affairs Desk Officer Danica Starks. Pres Aliyev was accompanied by accompanied Head of the Presidential Apparatus International Relations Department Novruz Mammadov. Econoff was notetaker.

13. (C) Deputy Secretary Sampson thanked Aliyev for Azerbaijan,s cooperation in the War on Terrorism and provision of troops to Iraq, Afghanistan and Kosovo. Azerbaijan had both the human capital and the abundant natural resources to diversify its economy, and Sampson,s trip to Azerbaijan was a signal of USG desire to strengthen bilateral commercial ties. Referring to his meeting with the American Chamber of Commerce Board of Directors, Sampson said that he sensed there was "great optimism" about Azerbaijan's business potential. The U.S. looked forward to engaging Azerbaijan on economic and democratic reform. Deputy Secretary Sampson lauded Azerbaijan's efforts to improve its

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business environment, to include the nascent "one-stop shopping" initiative for registration and licensing of businesses and entrepreneurs. He asked President Aliyev for his thoughts on WTO, which he termed as foundational for

Azerbaijan's transformation.

#### WTO AND ECONOMIC PROGRESS

14. (C) President Aliyev said current USG-GOAJ bilateral relations, based on the three pillars of security cooperation, reform and energy security, were strong. He wanted to concentrate on developing Azerbaijan's non-energy sector, and welcomed US companies' cooperation, especially in the IT, transportation and agriculture fields. Azerbaijan has made great progress in economic development: it has reduced poverty from 49 to 20 percent in just three years, and the non-energy sector had 12 percent growth the previous year. The GOAJ supports SME's with 100 million dollars worth of loans available annually. It gives loans and leases equipment at low rates to farmers, in addition to providing 100 million dollars worth of agricultural subsidies this year. Azerbaijan is committed to a free market economy while still establishing good strong social programs and a commitment to regional development. It has established a State Investment Company to direct investment in the non-energy sector.

15. (C) On WTO, Aliyev said the GOAJ will have "finished all the necessary arrangements" for accession by year's end. Responding to Deputy Secretary Sampson's question as to how the USG and Commerce Department could best help Azerbaijan, President Aliyev said that the U.S. was "Azerbaijan's strongest supporter," and that the U.S. should help the GOAJ in WTO negotiations to minimize risks for Azerbaijani businessmen, as he anticipated difficulties for Azerbaijani producers, who are just starting to develop.

#### CORRUPTION

16. (C) Deputy Secretary Sampson said Azerbaijan could be a regional platform for business, but he pointed out that U.S. business has to work within a rigid framework mandated by

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legislation like FCPA and Sarbanes-Oxley. Increased transparency and serious measures to combat corruption will help Azerbaijan attract Foreign Direct Investment. As such, he said he hoped that Azerbaijan's new national strategy on combating corruption would contain specific deadlines and goals for the GOAJ to meet its existing international obligations.

17. (C) President Aliyev said there would be definite programs and time frames stipulated. He pointed out that the former Soviet Union now comprised 15 nations, all of which are plagued by corruption. Azerbaijan was seeking to combat corruption via a mixture of punishment and improving the overall economic environment, and it is "reducing." He said that traffic police, who used to routinely receive small bribes, now receive a salary equivalent to 500 USD/month, which greatly decreased corruption. On the other hand, judges, who receive an average salary of USD two thousand/month, can receive huge bribes for deciding cases in a particular manner, so raising their salaries would not be effective. The key to solving the corruption problem was a "general political and economic transformation." Integration with international organizations like the EU would be important in this regard. (COMMENT: In a brief aside with the President after the meeting, the Ambassador noted that the widespread perception in the business community is that corruption is getting worse, not better, to which the President replied, "thank you for telling me." END COMMENT).

18. (C) President Aliyev alluded to the high degree of transparency in the oil and gas sector, to include the Oil Fund, concluding that "no one would say there is any corruption in the oil and gas sector." Having BP, ExxonMobil and other international energy companies in Azerbaijan was a

"good experience," so "the more U.S. companies in Azerbaijan, the better." In this regard, he had met with the heads of Microsoft, Cisco and Intel in the hopes of developing Azerbaijan's IT sector. He was also quite happy about Azerbaijan's experience with U.S. agricultural company Valmont.

¶9. (C) Deputy Secretary Sampson said that American companies in Azerbaijan are good inculcators of solid corporate values, and recounted the story he had heard during the previous night's AmCham dinner about how a young Azerbaijani businessman gained a strong set of business morals and learned to "work to the highest standards" while working for a U.S. firm in Baku. In this regard, Bechtel's proposed Trans-Azerbaijan National Expressway would be good not only for improving Azerbaijan's strategic infrastructure but also for inculcating solid business practices into Azerbaijanis who would become involved in the project. President Aliyev said that he was aware of the Bechtel proposal but that all of Azerbaijan's construction projects had been started: "We do not need two east-west highways; we only need one." Aliyev suggested that perhaps Bechtel could widen the existing highway, or otherwise modify its proposal in accordance to projects already being carried out by the Ministry of Transportation. Sensing that the President was not fully informed about the Bechtel proposal, Ambassador Derse explained its general parameters, to include sources of funding. She asked if President Aliyev would be willing to meet with Bechtel SVP Ambassador Redman again, to hear more about the project, and President Aliyev said he would.

ABS

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¶10. (C) Deputy Secretary Sampson mentioned that the American Bureau of Shipping (ABS), which was seeking to be able to certify shipping but was being "shut out" by the Azerbaijan State Caspian Sea Shipping Company ("CASPAR"). Laughing, President Aliyev said that most of CASPAR's ships don't meet international standards, so that if Azerbaijan had to meet ABS standards it would lose its fleet. He suggested that perhaps ABS might have a "grandfather clause" that would allow existing CASPAR ships to remain in operation.

CW CONVENTION

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¶11. (C) Deputy Secretary Sampson said that for the tenth anniversary of the signing of the Chemical Weapons Convention (CWC), there was a push for all signatories to pass implementing legislation. Azerbaijan was one of the few remaining signatories not to have done so. President Aliyev, unaware of the GOAJ's tardiness in this regard, said, "Maybe we forgot about it; let me know what to do." Ambassador Derse said that the Embassy would follow up with the appropriate GOAJ entity.

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WISEMAN,S COUNCIL

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¶12. (C) Deputy Secretary Sampson referred to the success then-Texas Governor Bush had with his Business Entrepreneurial Council, with whom he used to regularly meet. President Bush still keeps up the practice, as a forum of this sort was invaluable for providing "unfiltered input" from the business community to government leaders. As such, the Deputy Secretary recommended that President Aliyev seek to establish a "Business Entrepreneurial Council," comprised of foreign and local business leaders, to help provide him input into existing business conditions and problems. President Aliyev said the idea was a good one.

¶13. (C) COMMENT: Deputy Secretary Sampson's visit and call on the President sent a strong signal of US interest in

Azerbaijan's development and opportunities, and provided us a forum to raise at a high level concerns with the business environment and suggestions on how to address them. Working with Commerce Department and with AmCham, we will follow up with the GOAJ MFA on the CW Convention, and will work with the GOAJ and AmCham in developing the idea of the 'Business Entrepreneurial Council.'

¶14. (U) This cable has been cleared by the Commerce Department.  
DERSE